



Milan, January 25, 2021

PRESS RELEASE

TeamSystem S.p.A. provides below certain updated information regarding financial results, recent bolt-on acquisitions and key financial metrics of TeamSystem Holding S.p.A. and its subsidiaries to the holders of its €200.0 million senior secured floating rate notes due 2025 and €550.0 million senior secured floating rate notes due 2023.

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This press release constitutes a public disclosure of inside information by TeamSystem S.p.A. under Regulation (EU) 596/2014 and Commission Implementing Regulation (EU) 2016/1055.

Recent developments

Current trading

The preliminary results and estimates presented below for the eleven months and the twelve months ended November 30, 2020 are derived from our internal management accounts. This information has not been audited or reviewed and no procedures have been completed by our external auditors with respect thereto. These results are subject to the risks related to our business and, because they are preliminary, are inherently subject to modification. While we believe these preliminary results and estimates to be reasonable, they remain subject to change.

Based on preliminary results derived from our unaudited management accounts and other information currently available, we estimate that for the eleven months ended November 30, 2020, we generated total revenue of approximately €376.8 million, an increase of approximately €45.2 million (or 13.6%) compared to total revenue of approximately €331.6 million for the eleven months ended November 30, 2019. We estimate that this increase was primarily driven by the organic growth of our four business lines, mainly as a result of the expansion of our customer base in cloud-based products, including the cloud-based version of our core ERP solutions, our cloud-native ERP for Microbusinesses and our Digital solutions. We estimate that total revenue for the eleven months ended November 30, 2020 increased also a result of (i) the first time consolidation in such period of the several companies in which we acquired a controlling equity interest (TeamSystem 5 S.r.l., MBM Italia S.r.l., AF Soluzioni S.r.l. and Beneficy S.r.l.) or a 100% equity interest (Area 32 S.r.l.) and (ii) the revenue contribution of the bolt-on acquisitions we made in the year ended December 31, 2019, which did not have a full impact, or did not have any impact, in the eleven months ended November 30, 2019.

In addition, based on preliminary results derived from our unaudited management accounts and other information currently available, we estimate that for the eleven months ended November 30, 2020, we generated Adjusted EBITDA of approximately €164.0 million, an increase of approximately €41.3 million (or 33.6%) compared to Adjusted EBITDA of approximately €122.7 million for the eleven months ended November 30, 2019. We estimate that this increase was attributable to both organic and non-organic growth associated with less than proportional operating cost increases, primarily due to increased operational efficiency and reduction of certain non-personnel costs.

Finally, based on preliminary results derived from our unaudited management accounts and other information currently available, we estimate that total revenue, Adjusted EBITDA and Pro Forma Adjusted EBITDA increased from €414.3 million, €182.2 million and €206.4 million, respectively, for the twelve months ended September 30, 2020 to approximately €421.6 million, €187.4 million and €209.9 million, respectively, for the twelve months ended November 30, 2020.

Bolt-on acquisitions

In the period following September 30, 2020:

- (i) we acquired: (i) a majority stake in Team4You S.r.l., a reseller of our software solutions; (ii) a majority stake in Habble S.r.l., a company that develops SaaS cloud software for planning and control of telecommunications and other costs in real time (a minority stake of which we acquired in the second quarter of 2020); (iii) a 100% equity interest in Software DELSOL, S.A., a Spanish software house operating in the e-invoicing and cloud-based ERP markets in Spain and (iv) TeamSystem 6 S.r.l., a business segment of a company that markets and sells our software solutions; and
- (ii) we entered into acquisition agreements to acquire (i) a 100% equity interest of certain business segments of companies that market and sell our software solutions, including TeamSystem 7 S.r.l., TeamSystem 8 S.r.l., SGS S.r.l. and Alterna S.r.l.; and (ii) a majority stake in ModeFinance S.r.l., a software house that develops cloud products for ratings calculation (a minority stake of which we acquired in December 2020). We expect that the completion of these acquisitions will occur in the first half of 2021, with the majority being completed in January 2021.

Other financial data

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
Recurring revenue ⁽¹⁾	67.1%	71.0%	77.4%	80.2%	82.5%	79.4%
Organic revenue growth ⁽²⁾	7.2%	5.7%	9.7%	13.0%	7.6%	-
Cloud revenue ⁽³⁾	9.8%	16.8%	29.1%	28.0%	38.1%	36.4%
Adjusted operating cash flow ⁽⁴⁾ (€ in millions).....	79.0	96.2	131.5	104.0	99.8	127.2
Cash flow conversion rate ⁽⁵⁾	82.5%	90.2%	103.5%	123.7%	84.6%	79.2%
Ratio of capital expenditure to total revenue.....	8.0%	8.7%	7.9%	7.7%	8.5%	8.4%
Ratio of allowance for bad debts to total revenue.....	1.2%	1.5%	1.3%	1.4%	1.3%	1.3%
Ratio of personnel costs to total revenue.....	34.7%	31.2%	29.4%	30.4%	27.2%	27.1%

- (1) Represents the percentage of total revenue for each of the periods indicated that we generated in all our business lines (as well as in the "Hardware and others" category) from revenue sources that we consider to be recurring. Recurring revenue is not a recognized measure of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data.
- (2) Represents growth in our organic total revenue, compared to total revenue in the relevant previous period. Organic revenue growth is not a recognized measure of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data."
- (3) Represents the percentage of our total revenue for each of the periods indicated that we generated from the sales of cloud solutions. Cloud revenue is not a recognized measure of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data.
- (4) Adjusted operating cash flow represents Adjusted EBITDA for the relevant period less allowance for bad debts and capital expenditure and adjusted for change in net working capital and change in provisions. For the year ended December 31, 2017, Adjusted operating cash flow includes the adverse effect of €4.5 million in respect of expenses we made in such year in connection with our new headquarters in Pesaro. Adjusted operating cash flow is not a recognized measure of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data. The following table sets forth a calculation of Adjusted operating cash flow for the periods indicated:

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
	(€ in millions)					
Adjusted EBITDA.....	113.0	125.7	146.1	98.3	134.4	182.2
Allowance for bad debts.....	(3.9)	(5.1)	(4.8)	(3.6)	(4.0)	(5.2)
Change in net working capital ^(a)	(10.4)	6.8	21.2	29.0	(3.0)	(10.8)
Change in provisions ^(b)	5.6	(2.1)	(1.4)	0.8	(1.8)	(4.0)
Capital expenditure.....	(25.3)	(29.1)	(29.6)	(20.5)	(25.8)	(35.0)
of which						
Investments in tangible assets.....	(6.6)	(3.2)	(3.0)	(2.2)	(2.5)	(3.3)

<i>Investments in intangible assets</i>	(5.4)	(12.1)	(12.3)	(7.8)	(10.9)	(15.4)
<i>Capitalized development costs</i>	(13.4)	(13.9)	(14.3)	(10.5)	(12.5)	(16.3)
Adjusted operating cash flow	79.0	96.2	131.5	104.0	99.8	127.2

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- (a) Change in net working capital is part of the calculation of our cash flows from operating activities, as reported in the consolidated statement of cash flows of our consolidated financial statements, and accordingly does not include the change in net working capital, if any, associated to the items that we consider not to be core to our ongoing business and that are included in the calculation of our Adjusted EBITDA.
- (b) Change in provisions is part of the calculation of our cash flows from operating activities, as reported in the consolidated statement of cash flows of our consolidated financial statements, and includes staff leaving indemnity and provisions for risks and charges.
- (5) Cash flow conversion rate represents the ratio of (i) Adjusted operating cash flow to (ii) Adjusted EBITDA *less* allowance for bad debts and capitalized development costs. Cash flow conversion rate is not a recognized measure of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data.

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Forward Looking Statements

This press release may include “forward-looking statements” within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this press release, including, without limitation, those regarding TeamSystem’s intentions, beliefs or current expectations concerning, among other things: TeamSystem’s future financial conditions and performance, results of operations and liquidity; TeamSystem’s strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which TeamSystem participates or is seeking to participate; and anticipated regulatory changes in the industry in which TeamSystem operates. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “target,” “seek” or, in each case, their negative, or other variations or comparable terminology. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that TeamSystem’s actual financial condition, results of operations and cash flows, and the development of the industry in which TeamSystem operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this press release. In addition, even if TeamSystem’s financial condition, results of operations and cash flows, and the development of the industry in which TeamSystem operates, are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

Further Information

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